

Message Text

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ACTION EB-07

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FM AMCONSUL DURBAN

TO SECSTATE WASHDC 2123

INFO AMCONSUL CAPE TOWN

AMCONSUL JOHANNESBURG

AMEMBASSY PRETORIA

UNCLAS DURBAN 0055

E.O. 11652: N/A

TAGS: SF, EIND, BDIS

SUBJECT: BLUE BELL WRANGLER GUILTY OF PRICE ACT OFFENSE

CAPE TOWN FOR EMBASSY

1. SUMMARY: DURBAN-BASED US FIRM, BLUE BELL WRANGLER, AND ITS CAPE TOWN-BASED AGENT ON FEBRUARY "2 PLEADED GUILTY TO CONTRAVENTION OF SA'S REGULATION OF MONOPOLISTIC CONDITIONS (RETAIL PRICE MAINTENANCE) ACT AND WERE FINED ACCORDINGLY. CASE IS FIRST UNDER ACT TO BE TRIED AT SA SUPREME COURT LEVEL AND ONE OF FIRST THREE IN COUNTRY AT ANY LEVEL. COURT EMPHASIZED ITS ACTION WAS AIMED AT DETERING OTHER FIRMS FROM ENGAGING IN BUSINESS PRACTICES WHICH HAVE EFFECT OF BLOCKING FREE COMPETITION. END SUMMARY.

2. CAPE TOWN SUPREME COURT FEBRUARY 12 PASSED R10,000 FINE ON DURBAN-BASED BLUE BELL WRANGLER AND R1,000 FINE ON ITS AGENT, NATHAN SHAPIRO AGENCIES, FOR CONTRAVENTION OF RETAIL PRICE MAINTENANCE REGULATIONS. BOTH FIRMS PLEADED GUILTY OF OFFENSE UNCLASSIFIED

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WHICH CARRIES MAXIMUM PENALTY OF R20,000 OR FIVE YEARS IMPRISON-

MENT OR BOTH. IN PASSING ASENTENCE JUDGE ACCEPTED IT WAS NOT WRANGLER'S GENERAL PRACTICE TO ENGAGE IN RETAIL PRICE MAINTENANCE AND THAT WRANGLER AND A CLIENT GROUP OF STORES HAD NOT SEEN EYE TO EYE ON RETAILING APPROACH. HOWEVER SENTENCE IMPOSED WAS INTENDED TO DETER WRANGLER FROM FURTHER PRICE MAINTENANCE ACTIVITY AND TO CONSTITUTE WARNING TO OTHER FIRMS NOT TO ENGAGE IN SUCH PRACTICE.

3. ACCORDING PRESS REPORTS, SAG ALLEGED THAT WRANGLER IN FALL 1974 APPLIED PRESSURE ON NATIONAL HALF PRICE CHAIN STORES TO RETAIL WRANGLER PRODUCTS AT PREDETERMINED PRICES. WRANGLER ALSO WAS ACCUSED OF WITHHOLDING SUPPLIES FROM HALF PRICE WHEN LATTER ADVERTISED WRANGLER JEANS NATIONALLY AT ONLY 10 PERCENT MARKUP AND ABOUT HALF OF NORMAL RETAIL PRICES. HALF PRICE MANAGEMENT NOTED THAT IT IS DISCOUNT CHAIN WITH MAJORITY OF BLACK CUSTOMERS AND ACCUSED WRANGLER OF BEING OPPOSED TO MARKETING PRODUCTS VIA DISCOUNT STORE IMAGE.

4. COMMENT: CONGEN HAS LEARNED THAT WRANGLER HAS EXPERIENCED EXPANSION IN EXCESS OF 500 PERCENT SINCE INCEPTION OF NEW PLANT AT URBAN-MOBENI IN 1974. EXPANSION HAS NOT COPED WITH DEMAND AND IT IS WELL-KNOWN LOCAL FACT THAT WRANGLER IS 6 TO 9 MONTHS BEHIND IN FILLING ORDERS, WHICH MAY ALSO HAVE INFLUENCED WITHHOLDING OF SUPPLIES TO FIRM WITH WHICH IT HAD DIFFERENCE OF VIEW ON MARKETING APPROACH.

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